Amoco Canada Petroleum Company Ltd.

Annual Report 1980

Contents

The Year in Brief

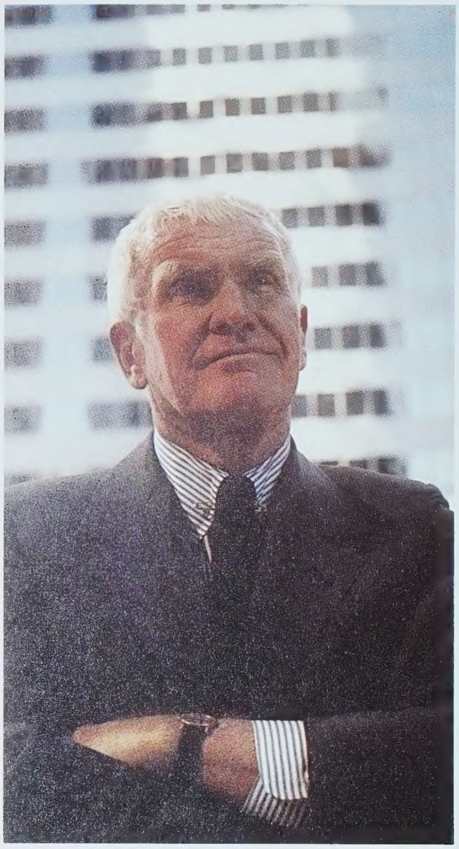
Financial	1980	1979	% Change
Total Revenues	**$ 982 641 000**	$ 862 323 000	+ 14
Net Income	**135 011 000**	140 696 000	– 4
Funds Provided from Operations	**286 458 000**	266 355 000	+ 8
Capital and Exploration Expenditures	**478 180 000**	363 262 000	+ 32
Total Assets	**1 507 212 000**	1 209 475 000	+ 25
Working Capital	**54 655 000**	86 520 000	– 37

Operating

Crude Oil and Natural Gas Liquids,			
Net Production (cubic metres per day)	**8 685**	9 122	– 5
Natural Gas Sold (thousand cubic metres per day)	**6 915**	7 547	– 8
Land Holdings (thousand hectares)			
Gross	**10 901**	11 322	– 4
Net	**5 633**	5 759	– 2
Proved Reserves (Net) - at December 31			
Crude Oil (thousand cubic metres)	**30 011**	30 505	– 2
Natural Gas Liquids (thousand cubic metres)	**6 590**	7 073	– 7
Natural Gas (million cubic metres)	**59 333**	59 043	—
Sulphur (thousand tonnes)	**6 037**	6 484	– 7

Note: *Financial data throughout this report are stated in Canadian dollars and will not agree with those reported for Canadian operations in the annual report of the parent company, Standard Oil Company (Indiana), which are stated in United States dollars. Other variances are the results of differences between Canadian and United States accounting practices.*

Review and Outlook



George H. Galloway
Chairman of the Board

Fraser H. Allen
President

Amoco Canada continued an aggressive exploration and development program during 1980, reinvesting 109 percent of its cash flow in the search for, and development of, new Canadian petroleum energy supplies. Capital and exploration expenditures increased by 31.6 percent to $478.2 million from $363.3 million in 1979.

The company's record drilling program achieved a 75 percent success rate, with 169 out of 225 net wells being capable of producing economic quantities of oil and natural gas.

Largely as a result of increased exploration spending, our net income dropped slightly to $135 million from $140.7 million in 1979.

Although we launched the decade of the eighties with a continued high level of reinvestment in the search for new petroleum energy supply, the federal and provincial government differences over pricing and revenue-sharing adversely affected our forward planning.

The impact of the federal budget and National Energy Program, tabled in the House of Commons on October 28, is expected to reduce our projected 1981 cash flow by one-quarter and our projected earnings by one-half. Because we rely heavily on cash flow, and have deferred a new public debt offering, we project that our 1981 exploration and production expenditures will be 56 percent lower than 1980 levels.

During our 33 years of Canadian operations, Amoco Canada has distinguished itself as one of the most active and technically innovative exploration and production companies in western Canada. By the end of 1979, we were the fifth largest oil and natural gas producer in the nation.

Over the years, our parent company has invested about a half billion dollars in Canada for crude oil and natural gas exploration and development. Approximately $40 million remains to be repaid after our 1980 year end dividend and preferred share redemption totalling $28.5 million.

With the skills of our Canadian professionals, Amoco Canada has used that investment to find and produce into the Canadian petroleum supply a total of nearly 80 million cubic metres (a half billion barrels) of crude oil and natural gas liquids and about 64.8 billion cubic metres (2.3 trillion cubic feet) of natural gas. During 1980, the company contributed daily about 13 815 cubic metres (86 939 barrels) of crude oil and natural gas liquids and 10.9 million cubic metres (385.5 million cubic feet) of natural gas to the nation's petroleum supplies.

Canada needs a secure and sufficient petroleum energy supply. Under the right conditions, companies like our own can help to achieve this goal.

By continuing to provide challenging assignments, we plan to maintain the skills and talents of our personnel responsible for our past successful exploration and production efforts. We will fully utilize the experience and capabilities of our professional staff located in our Calgary office by accepting exploration projects from affiliated companies headquartered outside Canada. We are also locating some staff to affiliates outside Canada.

We wish to thank our employees for the talented and dedicated contribution they continue to make in these trying times, and we look forward together to better times which hopefully lie ahead.

George H. Galloway
Chairman

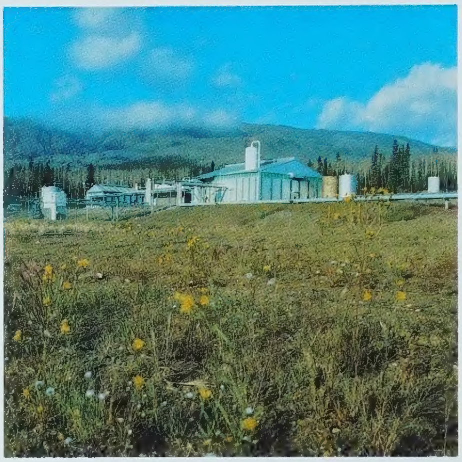
F. H. Allen

Fraser H. Allen
President

About the Company

Drilling in southwestern Alberta.

The new airstrip at Kirby, Alberta.



The Pointed Mountain gas plant, N.W.T.

Amoco Canada has been a major participant in Canada's oil and gas industry for more than 30 years. Corporate growth has in the main been achieved by the efforts of management and employees, rather than by the acquisition of other companies.

Operations began in Calgary in 1948 as the Canadian Division of Stanolind Oil and Gas Company, a wholly owned subsidiary of Standard Oil Company (Indiana), with headquarters in Chicago, Illinois. The Canadian Division of Stanolind made its first commercial discovery in 1952 at St. Albert, north of Edmonton.

With the discovery of the Pembina field in 1954, Amoco Canada entered a new era of expansion. Through an aggressive acreage acquisition program in the Drayton Valley area, the company eventually became the largest single operator in Pembina.

In 1957, the company changed its name to Pan American Petroleum Corporation. In the same year Pan American made an important crude oil discovery at South Swan Hills northwest of Edmonton. About 35 percent of Amoco Canada's current crude oil and natural gas liquid production still originates in this area. Two years later, Pan American made a series of important gas discoveries in northern British Columbia, on the Yukon-Northwest Territories border, and at Pine Creek, East Crossfield, Bigstone and Marten Hills in Alberta. In 1961, we acquired the Canadian assets of Honolulu Oil Corporation, as part of Pan American's acquisition of most of that company's North American holdings.

With expanding natural gas production and markets, Pan American built a number of gas processing and sulphur recovery plants.

In June of 1969 Amoco Canada Petroleum Company Ltd. was incorporated with a federal charter and assumed all of the operations and properties of the Canadian Division of Pan American and its subsidiaries. In December of 1975, Amoco Canada acquired all of the Canadian assets of Midwest Oil Production Ltd. (a subsidiary of Standard Oil Company (Indiana)).

At the end of 1979, Amoco Canada was the second largest natural gas producer and the sixth largest producer of petroleum liquids, making it the fifth largest oil and natural gas producer in the country. The company has substantial interests in conventional oil and gas fields in central Alberta and eastern British Columbia and is directly involved in research and production projects related to oil sands and heavy oil.

Exploration

Petroleum geologist Nancy Chow checks a well log at a southwestern Alberta drill site.

Amoco Canada pursued an intensive exploration program during most of 1980, concentrating its efforts in Alberta and British Columbia.

The company participated in the completion of 208 exploratory wildcat wells (92 net wells) with 85 (47 net) being completed as gas producers and 15 (6 net) as oil wells. Farmout programs resulted in an additional 84 wells being drilled free of cost to the company, mostly in eastern Alberta.

Total petroleum exploration expenditures were $322.2 million, an increase of 13.2 percent over the prior year.

The Amber/Rainbow area 725 kilometres (450 miles) northwest of Edmonton, Alberta, was the site of one of the company's most significant projects in 1980. Three wells were drilled to the Devonian Keg River horizon at depths of about 1900 metres (6234 feet). Two were completed as oil wells and the third is awaiting completion. At year end, the company held 21 700 hectares (53 620 acres) in the area of the discoveries. Seismic work and drilling are continuing.

In the Berland River area, 120 kilometres (75 miles) west of Whitecourt, Alberta, the company discovered gas in the Devonian Wabamun horizon. This discovery well was over 5 kilometres (3 miles) from a 1958 discovery in the same zone. Drilling is currently underway in a multiwell farmout of shallower objectives in the area. The company held 4100 hectares (10 131 acres) there at year end.

The company participated in the drilling of one well in the Ricinus area about 120 kilometres (75 miles) northwest of Calgary. The well encountered gas in the Cretaceous sands with a flow rate of 250 thousand cubic metres per day (8.8 million cubic feet). The company held 7900 hectares (19 520 acres) in the area at year end.

At Brown Creek, about 200 kilometres (125 miles) west of Edmonton, exploratory work begun in 1979 continued with the drilling of 9 additional wells. Two of the wells resulted in important stepouts to the original Beaverhill Lake formation discovery. The most significant well to date encountered 52 metres (170 feet) of pay with a flow rate of 595 thousand cubic metres per day (21 million cubic feet). In addition to the Beaverhill Lake formation discoveries, gas was found in the shallower Cardium formation in 3 of the wells drilled.

Further exploration of the East Ipiatik Block of the Primrose Air Weapons Range, which had earlier shown significant quantities of gas and heavy oil, was continued during the year. Six wells were drilled, resulting in 5 potential gas wells. Twenty-five wells are planned for 1981 to fulfill Amoco Canada's commitment to the Alberta Energy Company Ltd.

Amoco Canada continued its active exploration of the Grande Prairie area of the Deep Basin, about 385 kilometres (240 miles) northwest of Edmonton, Alberta, which has been in progress for the past three years. The 1980 program in this area consisted of drilling 22 wells, of which 2 have been completed as gas wells and another 16 were waiting on completion at year end. This makes a total of 104 wells drilled in this important area with 88 discoveries.

Specially insulated Seismic Group Recorder boxes weighing 11 kilograms (24 pounds) and 406 millimetres (16 inches) high are flown by helicopter to a shooting site near Drayton Valley, Alberta. This new Amoco-developed approach to collecting seismic data was modified to Canadian cold-weather conditions and extensively tested during 1980.

Activity in the Whitecourt area of west-central Alberta was intensified during the year to retain the company's strong land position there. Amoco Canada participated in the drilling of 37 wells in this area. This program resulted in 11 discoveries with an additional 7 wells awaiting completion at year end.

The program focused on the shallower Cretaceous formations, rather than the deep Devonian structures which had been the target of the company's earlier drilling activity.

Land Holdings — as at December 31, 1980

	Crown Reservations Licences and Permits (1)				Leases (2)			
	Gross Hectares	(3)	Net Hectares	(3)	Gross Hectares	(3)	Net Hectares	(3)
Alberta	739 556	(4)	496 218	(4)	3 490 758	(5)	2 039 808	(5)
Arctic	905 746		164 730		54 141		27 904	
British Columbia	252 138		142 695		317 617		205 735	
East Coast Offshore	3 359 042		1 440 456		—		—	
Ontario	—		—		264 222		264 222	
Yukon & Northwest Territories	1 089 522		542 129		427 817		308 970	
	6 346 004		2 786 228		4 554 555		2 846 639	

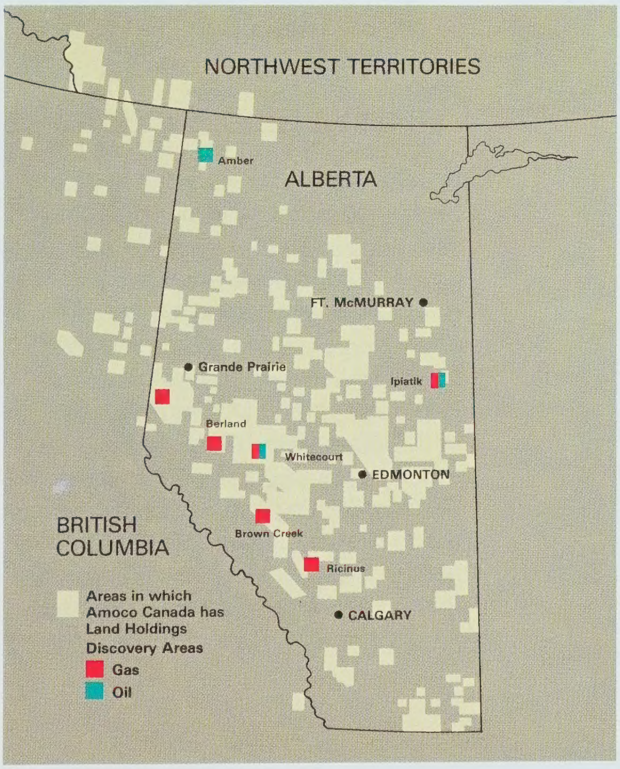
(1) Crown reservations, licences and permits relate to large blocks of land acquired from the federal Government and various provincial governments through application or competitive bidding and confer upon the holder the right to explore for oil and gas, and to lease oil and gas rights under varying percentages of the land covered. The holder is generally required to make cash payments or to undertake specified amounts of work in order to retain the rights to the land. Crown reservations, licences and permits shown are prior to conversion to leases.

(2) Leases in general confer on the lessee the right to explore for and remove oil and gas from the leased land subject to rental and or reserved royalty to the lessor.

(3) "Gross hectares" represent total hectares in which the Company has a working interest. "Net hectares" represent the interest of the Company in gross hectares.

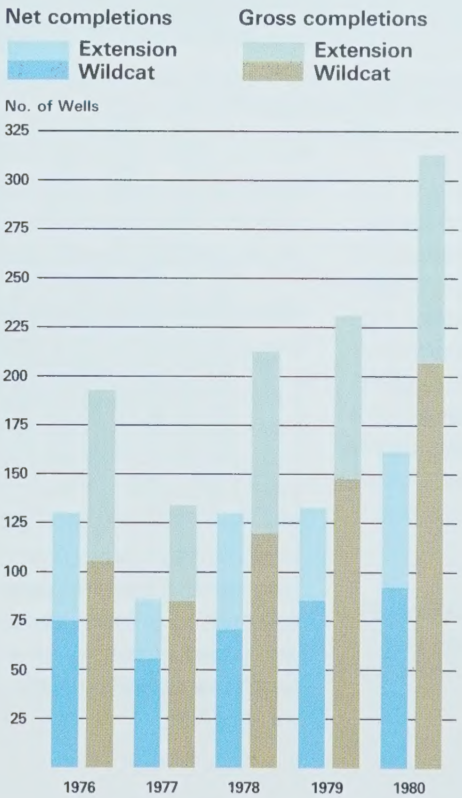
(4) Includes oil sands options aggregating 26 665 hectares (23 301 net hectares).

(5) Includes oil sands leases aggregating 98 958 hectares (84 818 hectares).



Location of Amoco Canada's western Canadian land holdings and major discovery areas.

Exploration Drilling Activity



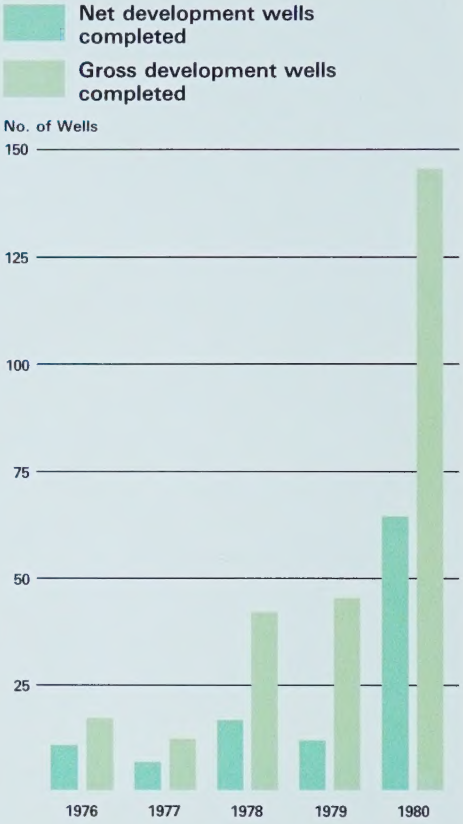
This "Christmas tree" controls one of the wells serving Amoco Canada's Pointed Mountain gas processing plant in the Northwest Territories.

Amoco Canada concentrated its production-related activities primarily in central and northeastern Alberta during 1980, with the Granada, Swan Hills, Whitecourt and Kirby fields claiming a major share of capital expenditures. Development drilling and additions or modifications to production equipment in these areas accounted for $61.4 million, or 44 percent, of the Producing Department's 1980 capital expenditures of $140 million. These expenditures include the cost of infill wells totalling $54.1 million but exclude extension well costs of $46.1 million (which are recorded financially as exploration expenditures).

Development Drilling

The Producing Department handles the field operations of all of Amoco Canada's drilling activity. It is also responsible for initiating proposals for infill and extension wells. Infill wells are those drilled within the boundaries of proven oil or gas reservoirs. Extension wells are drilled adjacent to proven reservoirs where geological analysis and well performance indicate the potential for reserves.

Development Drilling Activity*



*Excludes field extension wells.

During 1980, drilling was completed on 145 gross (64 net) infill wells and 105 gross (69 net) extension wells. Of the 250 gross wells drilled, the company is operator of 146 wells. The company spent a total of $100.2 million on infill and extension wells. The major drilling activity took place in the West Whitecourt, Granada, Waskahigan, Bigoray and Brazeau fields in west central Alberta; in the Swan Hills and Nipisi fields in north central Alberta; and in the Kirby and Ipiatik fields in northeastern Alberta.

Substantial gas reserves were proven in the Cretaceous horizons in the general West Whitecourt area, resulting in the retention of extensive lands which would otherwise have reverted, by lease expiry, to the Crown. The gas wells will provide deliverability for the planned sale of gas to ProGas Limited. Wells drilled in Granada extended the proven area of both oil and gas reserves on lands substantially controlled by the company. Oil sales commenced with well completions; however, gas production is pending resolution of gas sales contracts. Several wells successfully extended the Waskahigan oil pool. Additional oil production has also resulted from several wells drilled in the Bigoray Basal Quartz and Brazeau area Nisku D-2 pools.

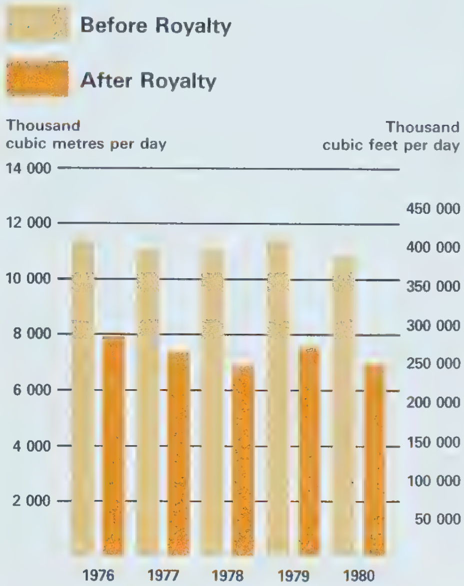
Infill drilling in the Swan Hills and Nipisi oil pools successfully added production capacity to otherwise declining productivity and will result in an increase in the ultimate recovery of oil from the pools.

Several gas wells were drilled in Kirby to provide the necessary production capacity to a processing plant currently being readied for sales during early 1981. Drilling in the adjacent Ipiatik block continued to define gas and potential heavy oil reserves.

Production Facilities

A total of $85.9 million was spent on new or additional production equipment and facilities in 1980, an increase of 78 percent over the previous year. Significant construction projects at Kirby, Windfall, Markerville, North Tony and Granada, all in Alberta, absorbed a major portion of facilities expenditures. Most of these expenditures are related to plans for bringing additional volumes of gas on stream for export in 1981.

Natural Gas Sales



Crude Oil and Natural Gas Liquids Production

Plant engineer Ted Metcalfe takes a reading from an instrument panel at Amoco Canada's East Crossfield gas processing plant near Calgary.

Amoco Canada has an interest in 77 gas processing plants, of which the company operates 32. The company also operates 39 major crude oil processing and injection facilities.

Production Volumes

Net production of crude oil and natural gas liquids averaged 8685 cubic metres (54 657 barrels) per day, a decrease of 5 percent over 1979. Net daily natural gas production declined to 7.1 million cubic metres (252.3 million cubic feet). The company's average daily sulphur production was 1419 net tonnes (1397 long tons), a decrease of 7 percent.

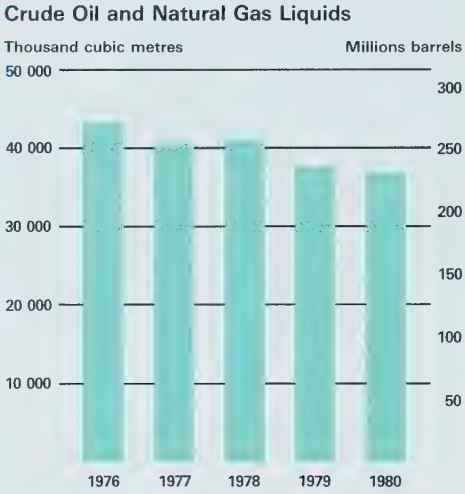
Reserves

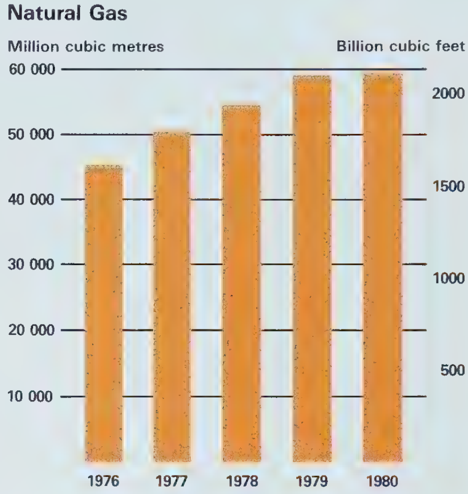
Amoco Canada's 1980 exploration and development programs resulted in the addition of 5.1 million cubic metres (32.0 million barrels) of energy equivalent proven reserves, replacing 89 percent of production during the year. Major reserve additions occurred in the West Pembina D-2 pinnacle reef oil reservoirs, where miscible flood and waterflood projects were implemented to increase recovery levels. Natural gas reserves added in the Grande Prairie, West Whitecourt, East Monias, Granada and Brown Creek areas accounted for 69 percent of the total energy equivalent reserve additions in 1980.

Total company net crude oil and natural gas liquids reserves were 36.6 million cubic metres (230.3 million barrels), down 2.6 percent from the prior year. A net total of 2.3 million cubic metres (14.2 million barrels) of crude oil and natural gas liquids were added to proven reserves, while production amounted to 3.2 million cubic metres (20.0 million barrels).

Marketable net natural gas reserves at year end were 59.3 billion cubic metres (2.1 trillion cubic feet), up 0.5 percent over the previous year. Net natural gas reserve additions for the year were 3.0 billion cubic metres (104.8 billion cubic feet), while production amounted to 2.6 billion cubic metres (92.3 billion cubic feet). Total net sulphur reserves decreased by 6.9 percent to 6037 thousand tonnes (5942 thousand long tons).

Net Proved Reserves





Gas Marketing

During 1980, the company's after-royalty daily natural gas sales decreased by 8 percent to 6.9 million cubic metres (245.5 million cubic feet), reflecting decreased demand for natural gas in the U.S. and Canadian markets. Domestic demand, which accounts for approximately 65 percent of total natural gas sales, has decreased by 2 percent with the majority of the decrease attributable to the residential market sector. Conservation measures in response to rising prices and an abundant supply of lower priced heavy fuel oil are the primary reasons for the lack of growth in the domestic market.

Exports of natural gas to the U.S., which account for 35 percent of total Canadian natural gas sales, were down by 18 percent compared with 1979. This is primarily due to recessionary trends in the U.S. economy, the current natural gas surplus in that country, and U.S. market reaction to increases in the price of Canadian gas.

Amoco Canada is the major supplier to Pan-Alberta Gas Ltd. and ProGas Limited, both of whom will begin export sales in 1981.

Enhanced Oil Recovery

Amoco Canada is operator of four miscible flood projects at Rainbow South B, Ante Creek, South Swan Hills and Bigoray B pools, and is a partner in projects in the Brazeau River A and E pools. These projects use hydrocarbon solvents composed of mixtures of natural gas liquids and natural gas to obtain oil recoveries greater than those obtainable by conventional waterfloods. The projects are expected to recover a total of 20 million cubic metres (126 million barrels) more crude oil than would be obtained by waterflooding, according to Alberta Energy Resources Conservation Board estimates. About 35 percent of the company's 1980 crude oil production was from these miscible projects, with

waterflooding assisting in the recovery of almost all of the remainder.

Several additional miscible flood projects were planned for other Amoco-operated and joint interest pools. A decision to proceed with these projects is being delayed pending clarification of the terms of the prices and taxes included in the 1980 federal budget and further economic analysis of the effects of proposed prices and taxes.

Oil Sands and Heavy Oil

Amoco Canada holds an extensive acreage position in oil sands and heavy oil areas in Alberta.
The company is involved in a number of projects designed to develop the large resource base represented by its oil sands and heavy oil holdings.

a) Gregoire Lake

The current phase of bitumen recovery tests will be completed prior to mid-1981. The tests, begun in 1977, have cost a total of $44 million to year end 1980. Although the work did not achieve a technological breakthrough to permit early commercial production, important technical data were obtained. The tests revealed that when the deposit was heated, the sand migrated together with the bitumen causing damage to well bores and actually raising the surface of the ground several inches in some parts of the test area. These unanticipated phenomena will be relevant to future in situ experiments involving the application of heat. Complete analysis of test results will continue for some months beyond the anticipated cessation of work in the field.

Amoco Canada is operator and has a 12.5 percent working interest in the project.

A service rig in action at a well location at Amoco Canada's experimental deep oil sands pilot recovery project at Gregoire Lake south of Fort McMurray, Alberta.

b) Alsands Project

The company, with its 10 percent working interest, is the second largest owner in the Alsands project which has received the Energy Resources Conservation Board approval. The project is expected to supply approximately 22 250 cubic metres per day (140 000 barrels per day) of synthetic crude oil and liquefied petroleum gas to the Canadian market from a surface mining project in the Athabasca oil sands deposit near Fort McMurray. At year end the cost estimate for the project in as-spent dollars was $8.6 billion. At that time the project was still awaiting final government approval and determination of commercial terms.

Costs to date are about $100 million gross for field acquisition, site preparation and preliminary engineering design work.

c) Other Producing Activities

Among other oil sands and heavy oil projects in which the company was involved during the year was the deep oil sands in situ recovery project near Peace River, Alberta, in which the company has a 12.5 percent interest. Also, the company has been encouraged by preliminary results from a $2.3 million project evaluation of the St. Lina heavy oil deposit near Bonnyville, Alberta.

Marketing and Other Activities

The sulphur slating operation at the East Crossfield gas processing plant. With improving prices, sulphur production is making an important contribution to Amoco Canada's revenues.

In recognition of the increasing market resistance to selling natural gas and related products, a new combination of responsibilities was introduced in August of 1980 involving a special reporting relationship between all those selling the company's products, under a new vice-presidential position charged with the responsibility for Marketing and Corporate Affairs.

Supply and Marketing

Amoco Canada's Supply and Marketing Department is responsible for sales and delivery to markets of purchased crude oil, natural gas liquids (NGL's), liquefied petroleum gas (LPG) and sulphur. During 1980, these sales generated $525 million in revenues for the company.

Propane and butane are LPG's obtained from NGL's through fractionation. At year end, the company's investment in its NGL processing and handling system was $47 million.

The company's Alberta liquids collection system consists of three 50 percent owned pipelines of an aggregate length of 1070 kilometres (665 miles). The company has interests in two NGL fractionation plants. One is located in Buck Creek, Alberta, which is 50 percent owned by the company; the other is in Sarnia, Ontario, in which the company holds a 48 percent interest. Together, these plants have an NGL fractionation capacity of 16 thousand cubic metres (102 000 barrels) per day. They supply markets in eastern and western Canada and the United States. The company holds a 48 percent interest in a 254 thousand cubic metre (1.6 million barrel) NGL storage facility and a 50 percent interest in a 429 thousand cubic metre (2.7 million barrel) LPG storage facility in Sarnia. LPG deliveries into the Canadian and northeastern United States markets are made by customer and company pipelines, tank trucks, and rail tank cars.

Mining Division

Amoco Canada's Mining Division, which began operations in 1969, spent $3.8 million on mineral exploration and evaluation in 1980. The Division has 21 employees in offices in Toronto and Vancouver. Two major projects occupied the Division during the year. Evaluation continued of the Detour Lake gold property northeast of Cochrane, Ontario, in which Amoco Canada holds a 50 percent interest. Based on this evaluation, a decision to proceed with commercial development of the property was confirmed in early 1981. Amoco Canada also holds a 70 percent interest in a molybdenum property at Red Mountain in the Yukon Territory as a result of expenditures on exploration totalling $1 million by the end of 1979. This property was under active evaluation during 1980. In addition to these projects, the Mining Division was involved in on-going assessment of various copper, lead, zinc, gold, silver, nickel, and molybdenum properties across the country on behalf of Amoco Canada.

Site of the Detour Lake gold property near Cochrane, Ontario. Through its Mining Division, Amoco Canada has been conducting extensive evaluations of the site's commercial potential. A decision to operate a full-scale gold mine at this location was confirmed in early 1981.

Employees

The total number of employees at Amoco Canada increased from just over 1800 to 2058 by year end. The increase in the company's work force reflected management's positive outlook for the year and the decade of the eighties. When it became clear that the combined impact of the October 28 federal budget and National Energy Program would substantially curtail cash flow available for reinvestment in petroleum exploration and development in 1981 and beyond, we cancelled the ambitious university recruiting program that had just begun. Although we recognized that this action would be disappointing to students planning employment with Amoco Canada, we felt that it would be unfair to hire students at the time and not be able to assure them of a continuing career with Amoco Canada. We also felt an obligation to provide the academic community with an early and clear indication of our near-term requirements for additional professional staff. It is anticipated that no employees will be laid off as a result of the reduction in activity.

A taxi equipped with a propane tank gets a "fill-up" at the Procor propane station in St. Catharines, Ontario. Through various incentive programs, the Ontario government is encouraging fleet vehicle owners and private citizens to convert to propane power. This could be a new and growing market for propane produced by Amoco Canada.

Several significant changes were made during the year to a number of benefit plans. The retirement plan's 'terminal earnings' formula was revised such that the average earnings calculation used in determining retirement income will now be based on the highest three consecutive years of earnings rather than on five years. This will have the effect of increasing annuities, as will another change involving a reduction in the offset for Canada Pension Plan and Old Age Security benefits. In addition, employees will be able to retire at age 60 with no reduction in annuity; previously, employees could only do this at age 62.

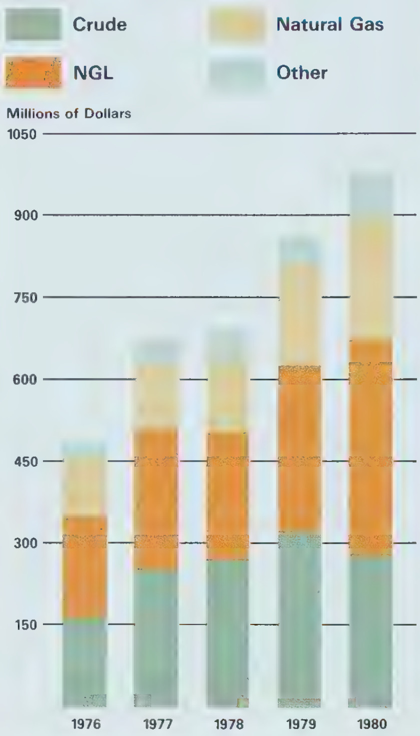
Financial Review

Net income for the year 1980 totalled $135 million, or 4.1 percent below the $140.7 million earned in 1979. Significant factors contributing to the earnings decline were lower sales of crude oil, natural gas liquids (including liquified petroleum gas) and natural gas, expanded exploration activity, increased operating costs, and higher taxes. Partially offsetting were revenue gains attributable to higher prices.

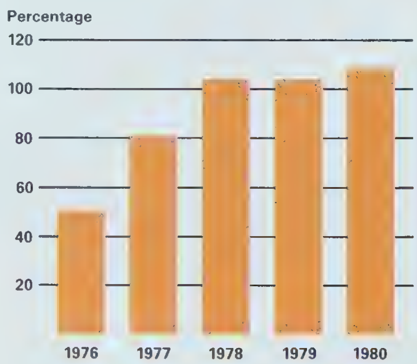
The return on average borrowed and invested capital declined to 17.6 percent from 21.6 percent in 1979. Net income as a percent of total revenues was 13.7 percent in 1980 and 16.3 percent in 1979.

Total revenues increased $120.3 million, or 14 percent, to $982.6 million in 1980. The increase was due primarily to higher prices for all products. This was partially offset by lower natural gas sales due to resistance to Canadian export prices and an attendant decrease in available natural gas liquids for resale. Higher prices were also partially offset by decreased sales volumes of purchased crude oil resulting from the establishment, in early 1980, of the Alberta Petroleum Marketing Commission as the direct marketer of all crude oil produced from Alberta Crown leases.

Revenues

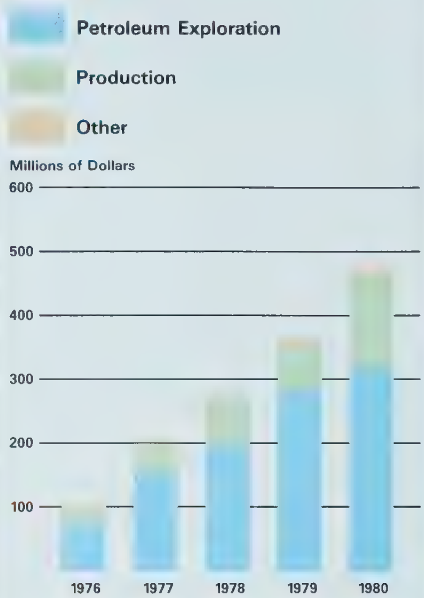


Capital and Exploration Expenditures as a percentage of Funds from Operations*



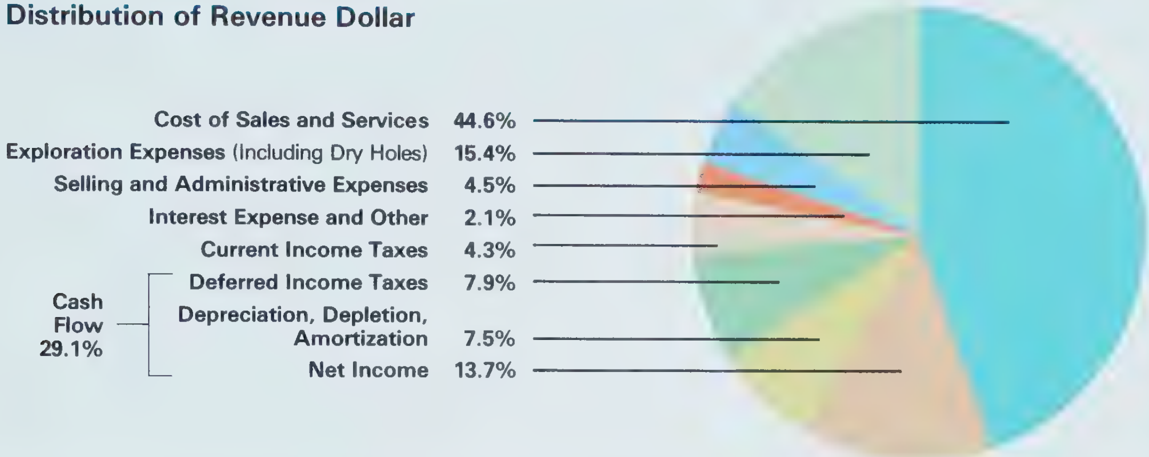
Represents funds generated from operations before reduction for reinvestment expenditures charged against current income. (Per Petroleum Monitoring Agency Survey)

Capital and Exploration Expenditures

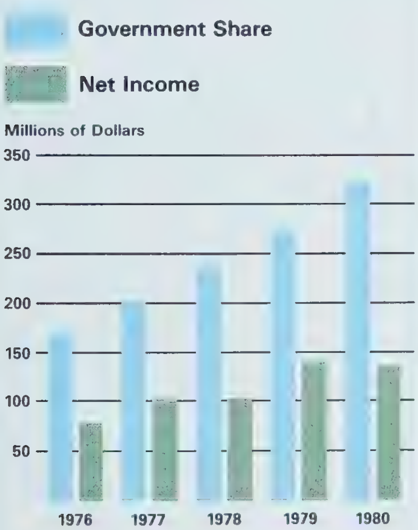


Costs and expenses totalled $727.9 million, an increase of $109.5 million or 17.7 percent over 1979. Exploration expenses increased 87.1 percent to $151.1 million due to significantly higher exploration outlays and an increase in exploratory dry hole costs. Operating and administrative expenses rose 6.4 percent to $482.2 million as a result of an increased level of activity, higher prices for purchased product, and continuing inflationary pressures, offset in part by a volume reduction in purchased crude oil and

Distribution of Revenue Dollar



Governments' Share of Gross Revenues*



** Includes royalties, current income taxes and other taxes, but excludes bonus consideration and lease rentals which, for the year 1980, totalled $38.9 million and $7.8 million respectively.*

natural gas liquids. Depreciation, depletion and amortization expense of $73.5 million was 14.8 percent greater than 1979 as the company's asset base continued to grow. Taxes increased by $19.1 million to a level of $127.3 million. This was primarily attributable to increased freehold mineral taxes, the imposition of a 5 percent federal income tax surcharge and an increase in taxable Crown royalties. Income taxes as a percentage of income before income taxes increased from a level of 42.3 percent to 47 percent.

Capital and exploration expenditures were a record $478.2 million in 1980, an increase of 31.6 percent from the $363.3 million spent in 1979, and 3.5 times 1980 net income. As in the past, the company dedicated the greatest portion of its expenditures to the search for new oil and gas reserves with $322.2 million being spent in oil and gas exploration, up 13.2 percent from the $284.6 million spent in 1979. Production expenditures were $140 million, almost double the level of spending in 1979. 58 percent of the 1980 capital and exploration expenditures was dedicated to the company's active exploratory and development drilling program.

Cash dividend payments to our parent company, Standard Oil Company (Indiana), totalled $2.7 million in addition to redemption of Preferred shares for cash in the amount of $25.8 million.

Statement of Income

For The Years 1980 and 1979

	1980	1979
Revenues		
Sales and operating revenues (net of royalties)	**$ 977 558 000**	$ 855 398 000
Other income	**5 083 000**	6 925 000
Total revenues	**982 641 000**	862 323 000
Costs and expenses		
Cost of sales and services (note 2)	**438 152 000**	422 240 000
Exploration expenses	**151 084 000**	80 740 000
Selling and administrative expenses	**44 076 000**	30 907 000
Foreign currency (gain) loss	**(2 783 000)**	1 535 000
Taxes, other than income taxes (note 3)	**7 651 000**	5 028 000
Depreciation, depletion and amortization	**73 515 000**	64 060 000
Interest expense (note 7)	**16 250 000**	13 930 000
Total costs and expenses	**727 945 000**	618 440 000
Income before income taxes	**254 696 000**	243 883 000
Income taxes (note 4)	**119 685 000**	103 187 000
Net income	**$ 135 011 000**	$ 140 696 000

Statement of Retained Earnings

For The Years 1980 and 1979

	1980	1979
Retained earnings - January 1	**$ 388 884 000**	$ 253 943 000
Net income	**135 011 000**	140 696 000
Cash dividends on preferred shares	**(2 656 000)**	(5 755 000)
Retained earnings - December 31	**$ 521 239 000**	$ 388 884 000

Statement of Financial Position

December 31, 1980 and 1979

		1980	1979
Assets			
Current assets	Cash	**$ 741 000**	$ 2 340 000
	Marketable securities - at cost, which approximates market	**28 878 000**	15 826 000
	Accounts receivable (note 5)	**274 031 000**	249 540 000
	Income taxes recoverable	**—**	944 000
	Inventories	**33 799 000**	21 637 000
	Prepaid expenses	**1 954 000**	1 141 000
		339 403 000	291 428 000
Sundry assets	Long-term receivables (note 5)	**19 013 000**	20 499 000
	Deferred charges	**9 610 000**	7 398 000
		28 623 000	27 897 000
Property, plant and equipment	— at cost, less accumulated depreciation, depletion, and amortization (note 6)	**1 139 186 000**	890 150 000
		$ 1 507 212 000	$ 1 209 475 000

		1980	1979
Liabilities and Shareholder's Equity			
Current liabilities	Notes payable	**$ 50 000 000**	$ —
	Accounts payable and accrued (note 5)	**227 204 000**	204 908 000
	Income taxes payable	**7 544 000**	—
		284 748 000	204 908 000
Deferred income	Unearned production revenue	**56 736 000**	26 211 000
Long-term debt	(note 7)	**109 321 000**	106 392 000
Deferred credits	Income taxes	**313 747 000**	235 815 000
Shareholder's equity	Capital stock (note 8)	**200 172 000**	226 016 000
	Contributed surplus	**21 249 000**	21 249 000
	Retained earnings (note 7)	**521 239 000**	388 884 000
	Total shareholder's equity	**742 660 000**	636 149 000
		$ 1 507 212 000	$ 1 209 475 000

Contingency (note 10)

Approved on Behalf of the Board:

F. H. Allen Director

N. J. Stewart Director

Statement of Changes in Financial Position

For The Years 1980 and 1979

	1980	1979
Source of funds		
Net income	$ 135 011 000	$ 140 696 000
Expenses not requiring outlay of working capital:		
Depreciation, depletion, amortization and retirements and abandonments	73 515 000	64 060 000
Deferred income taxes	77 932 000	61 599 000
Funds provided from operations	286 458 000	266 355 000
Decrease in long-term receivables	1 486 000	—
Decrease in working capital	31 865 000	17 331 000
New borrowings	2 929 000	249 000
Unearned production revenue	30 525 000	16 845 000
Disposition of property	4 545 000	14 688 000
Other	—	15 913 000
TOTAL	$ 357 808 000	$ 331 381 000
Application of funds		
Capital expenditures	$ 327 096 000	$ 282 522 000
Dividends paid on preferred shares	2 656 000	5 755 000
Redemption of preferred shares	25 844 000	22 745 000
Increase in long-term receivables	—	15 630 000
Other	2 212 000	4 729 000
TOTAL	$ 357 808 000	$ 331 381 000
Working Capital		
Increase (decrease) in current assets:		
Cash and marketable securities	$ 11 453 000	$ (75 904 000)
Accounts and notes receivable	24 491 000	68 094 000
Inventories	12 162 000	(14 120 000)
Prepaid expenses	813 000	362 000
Income taxes recoverable	(944 000)	944 000
(Increase) decrease in current liabilities:		
Notes payable	(50 000 000)	39 940 000
Accounts payable and accrued	(22 296 000)	(43 006 000)
Income taxes payable	(7 544 000)	6 359 000
(Decrease) in working capital	$ (31 865 000)	$ (17 331 000)

Auditors' Report to Shareholder

We have examined the statement of financial position of Amoco Canada Petroleum Company Ltd. as at December 31, 1980 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 9, 1981
Calgary, Alberta

Price Waterhouse & Co.
Chartered Accountants

Notes to Financial Statements

Year Ended December 31, 1980

1. Accounting policies

Inventories

Inventories are comprised primarily of crude oil and products which are valued at the lower of cost on a "First-In, First-Out" basis or net realizable value.

Exploration and development costs

The Company follows the successful efforts method of accounting as defined by the United States Financial Accounting Standards Board's Statement No. 19. Property acquisition costs, costs of successful exploratory wells (wildcat and extension wells), all development costs, and the costs of support equipment and facilities are capitalized. Costs of unsuccessful exploratory wells (wildcat and extension wells) are expensed when determined to be nonproductive. Production costs, overhead, and all exploration costs other than costs of exploratory drilling are charged against income as incurred.

Depreciation, depletion and amortization

In general, depreciation of plant and equipment, other than production equipment, is computed on a straight-line basis over the estimated economic lives (5 to 40 years) of the facilities. Depletion of the cost of proven oil and gas properties, amortization of related intangible drilling and development costs and depreciation of production equipment are computed on the unit-of-production method. The portion of the costs of unproved properties estimated to be nonproductive is amortized over projected holding periods.

Retirements

Upon normal retirement or replacement of plant and equipment the gross book value of such facilities (less salvage) is charged to accumulated depreciation. Gains or losses arising from unusual retirements or sales are credited or charged to income.

Maintenance and repairs

All maintenance and repair costs are charged against income. Renewals and improvements are capitalized.

Unearned production revenue

Unearned production revenue comprises amounts received under take-or-pay gas contracts and will be taken into income when the related product is delivered to the purchaser or the makeup period expires.

Translation of foreign currencies

The Company sells a significant amount of product for export, principally to affiliated companies, which transactions are denominated in U.S. currency. Accounts receivable and payable, including amounts due from or to affiliated companies, in U.S. dollars are translated at the rate of exchange prevailing at the Statement of Financial Position date. Gains or losses resulting from such translations are reflected in income.

Joint venture operations

Substantially all of the exploration and production activities of the Company are carried out through joint ventures.

Government assistance

During 1980, the Company earned $18.4 million (1979 — $15.9 million) in credits from the Province of Alberta principally towards the cost of the Company's oil and gas exploration program. Amounts earned prior to 1980 in respect of government assistance were credited to contributed surplus. In 1980, the Company commenced recording such amounts as a reduction of the cost of the related fixed asset or current expense, as applicable.

2. Cost of sales and services

The cost of sales and services comprise the following:

	1980	1979
	(Millions of Dollars)	
Crude oil and products inventory, beginning of period	**$ 20.9**	$ 34.0
Purchases during the period	**307.8**	305.8
Operating expenses	**142.5**	103.3
	471.2	443.1
Less: Crude oil and products inventory, end of period	**33.0**	20.9
	$ 438.2	$ 422.2

3. Taxes other than income taxes

	1980	1979
	(Millions of Dollars)	
Property taxes	**$ 5.4**	$ 3.8
Payroll and other taxes	**2.3**	1.2
	$ 7.7	$ 5.0

4. Income taxes

The 1980 and 1979 income tax provisions differ from the amounts that would have resulted had the reported earnings, before income taxes, been subject to the Canadian federal statutory tax rate. The principal reasons for the differences between the actual amounts provided and that which would have resulted from application of the statutory rate were as follows:

	1980		1979	
	(Millions of Dollars)			
	Amount	**Percent of Pre-tax Earnings**	Amount	Percent of Pre-tax Earnings
"Computed" taxes at statutory rate	**$ 117.2**	**46.0**	$ 112.2	46.0
Increase (decrease) in income taxes resulting from:				
Non-deductibility of royalties and other payments to the Crown	**128.0**	**50.2**	106.9	43.8
Less related allowances and rebates:				
Federal	**(76.8)**	**(30.2)**	(66.1)	(27.1)
Provincial	**(11.8)**	**(4.6)**	(9.7)	(4.0)
	39.4	**15.4**	31.1	12.7
Allowance for earned depletion	**(36.3)**	**(14.2)**	(37.3)	(15.3)
Incremental provincial taxes	**3.3**	**1.3**	2.9	1.2
Federal corporate surtax	**5.1**	**2.0**	—	—
Other — net	**(9.0)**	**(3.5)**	(5.7)	(2.3)
	2.5	**1.0**	(9.0)	(3.7)
Actual income tax provision	**$ 119.7**	**47.0**	$ 103.2	42.3

The foregoing income tax provisions comprise the following:

	1980	1979
	(Millions of Dollars)	
Current	**$ 41.8**	$ 41.6
Deferred	**77.9**	61.6
	$ 119.7	$ 103.2

The amount of deferred taxes represents the following timing differences between financial and taxable income:

	1980	1979
	(Millions of Dollars)	
Oil and gas property acquisition costs	**$ 6.1**	$ 5.0
Depreciable property, plant and equipment	**18.6**	8.5
Drilling and exploration costs	**53.2**	47.8
Other	**—**	.3
Deferred income taxes	**$ 77.9**	$ 61.6

The Company has received income tax reassessment notices with respect to the taxation years 1974, 1975, and 1976 which resulted in additional taxes in the amount of $1.9 million. The Company has treated the items which were reassessed in a similar manner in subsequent years which, if reassessed on the same basis, would result in additional taxes of approximately $11.4 million. The Company is contesting the treatment of the transactions by the income tax authorities and accordingly the effect of the $1.9 million in additional income taxes is recorded as a Deferred Charge as of December 31, 1980.

5. Related party transactions

Amounts due to and from affiliated companies were $3.5 million and $31.9 million respectively at December 31, 1980 ($1.8 million and $47.8 million respectively at December 31, 1979). These amounts arose in the normal course of business with the exception of $15.5 million which remains outstanding from the sale, in 1979, of the Company's textile operations to an affiliate, Amoco Fabrics Ltd. This amount will be repaid in equal instalments over the next eight years. Sales of products to affiliated companies in 1980 amounted to $113.6 million (1979 — $83.8 million).

6. Property, plant and equipment

	1980			1979
	(Millions of Dollars)			
	Cost	**Accumulated depreciation, depletion and amortization**	**Net**	Net
Unproved properties	**$ 326.3**	**$ 97.5**	**$ 228.8**	$ 216.8
Proved properties	**644.0**	**162.6**	**481.4**	339.9
Production equipment	**549.8**	**169.8**	**380.0**	292.7
Supply and marketing facilities	**47.0**	**9.3**	**37.7**	33.4
Other property and equipment	**28.2**	**16.9**	**11.3**	7.4
	$ 1 595.3	**$ 456.1**	**$ 1 139.2**	$ 890.2

7. Long-term debt

	1980	1979
	(Millions of Dollars)	
10.45% Debentures (unsecured) due February 15, 1984	**$ 100.0**	$ 100.0
Other indebtedness	**9.3**	6.4
	$ 109.3	$ 106.4

The 10.45% Debentures due February 15, 1984 are unsecured and no repayment of principal is required before February 15, 1984. So long as any of the 10.45% Debentures remain outstanding, the Company covenants not to encumber any of the assets of the Company nor declare or pay any dividends (other than stock dividends) or make any other distribution on, or purchase, redeem or otherwise retire, any of its shares unless after giving effect thereto the sum of a) the aggregate amount of such dividends and other distributions declared or paid after December 31, 1978; and b) the excess of the amounts applied after December 31, 1978 to all purchases, redemptions and other retirements of shares over the net cash proceeds received by the Company after December 31, 1978, on the issue of shares, would not exceed the Consolidated Net Income earned after December 31, 1978 plus $75 million. As of December 31, 1980, $294 million of retained earnings was available for distribution under these covenants.

Interest expense of $16.3 million includes interest of $10.8 million on long-term debt and other interest of $5.5 million.

8. Capital stock

The authorized capital stock of the Company is as follows:

15 000 000	Common Shares, no par value
1 308 894	Redeemable Preferred Shares, Series A, no par value, entitled to a non-cumulative cash dividend of $10 per share per annum
7 191 106	Redeemable Preferred Shares, Series B, no par value, entitled to a non-cumulative cash dividend of $12 per share per annum

The Preferred Shares are redeemable at $100 per share at the option of the Company.

Capital stock transactions during the year ended December 31, 1980 were as follows:

	Common Shares		Preferred Shares Series B		Total
	Shares (Thousands)	Amount (Millions)	Shares (Thousands)	Amount (Millions)	(Millions)
Shares outstanding January 1, 1980	9 766	$ 97.7	1 284	$ 128.4	$ 226.1
Purchased for cash	—	—	259	25.9	25.9
Shares outstanding December 31, 1980	9 766	$ 97.7	1 025	$ 102.5	$ 200.2

9. Remuneration of directors and senior officers

The aggregate direct remuneration, including contributions to the Company's savings and retirement plans, paid by the Company to its directors and senior officers for the fiscal year ended December 31, 1980 was $1.3 million.

10. Contingency

The Company is one of ten companies along with the governments of Canada and Alberta named as defendants by the Lubicon Lake Indian Band whereby the plaintiffs claim title to large tracts of land in Northern Alberta or alternatively to compensation in the amount of one billion dollars. The action has been dismissed in respect of all defendants, other than the Government of Canada, for lack of jurisdiction of the court in which the action was filed. The dismissal is in process of appeal.

Five Year Financial Summary

(Dollars in thousands)	1980	1979	1978	1977	1976
Income					
Revenues (after royalties)	**$ 982 641**	$ 862 323	$ 691 679	$ 671 389	$ 489 984
Income before income taxes	**254 696**	243 883	187 457	186 692	149 455
Income taxes					
Current	**41 753**	41 588	48 285	48 762	28 490
Deferred	**77 932**	61 599	36 790	37 805	41 760
Net income	**135 011**	140 696	102 382	100 125	79 205
Funds provided from operations	**286 458**	266 355	188 988	183 545	189 174
Rate of return on borrowed and invested capital (1)	**17.6%**	21.6%	17.9%	20.4%	17.0%
Distributions to shareholder (2)					
Cash dividends on preferred shares	**$ 2 656**	$ 5 755	$ 1 352	$ 3 920	$ —
Redemption or purchase of preferred shares	**25 844**	22 745	130 889	30 424	116 053
Financial position					
Working capital	**$ 54 655**	$ 86 520	$ 103 851	$ 125 033	$ 89 015
Property, plant and equipment (net)	**1 139 186**	890 150	686 376	538 678	452 034
Long-term debt	**109 321**	106 392	106 143	5 591	5 381
Deferred income taxes	**313 747**	235 815	174 216	137 426	99 622
Shareholder's equity	**742 660**	636 149	508 040	526 005	445 808
Capital and exploration expenditures					
Exploration					
Property acquisition and retention	**$ 46 828**	$ 51 323	$ 49 040	$ 43 836	$ 15 752
Geophysical	**30 685**	22 854	27 961	17 387	8 073
Exploratory drilling	**225 109**	196 744	107 433	84 309	41 847
Petroleum exploration — other	**19 562**	13 700	14 849	8 958	6 082
Mineral exploration	**3 828**	3 179	3 705	5 794	3 293
	$ 326 012	$ 287 800	$ 202 988	$ 160 284	$ 75 047
Production					
Development drilling	**$ 54 053**	$ 22 542	$ 13 884	$ 6 252	$ 2 863
Production equipment	**85 949**	48 170	55 466	31 205	22 834
	$ 140 002	$ 70 712	$ 69 350	$ 37 457	$ 25 697
Other	**$ 12 166**	$ 4 750	$ 4 214	$ 2 603	$ 1 323
TOTAL	**$ 478 180**	$ 363 262	$ 276 552	$ 200 344	$ 102 067
Employees					
Number of employees, year-end	**2 058**	1 816	1 965	1 851	1 659
Salaries, wages and benefits	**$ 57 849**	$ 45 206	$ 41 739	$ 36 189	$ 31 379

NOTE (1) *Expresses net earnings, plus the after-tax cost of interest on long-term debt, as a percentage of average borrowed and invested capital (shareholder's equity plus long-term debt, including current portion of long-term debt).*

NOTE (2) *To December 31, 1980 the Company has declared and paid stock dividends in the form of preferred shares aggregating $384.8 million, of which $282.4 million have either been redeemed or purchased.*

Five Year Operating Summary

	1980	1979	1978	1977	1976
Production volumes (cubic metres per day)					
Crude oil					
— Before royalty	**10 963**	11 867	10 987	11 056	11 653
— After royalty	**6 791**	7 145	6 604	6 786	7 115
Natural gas liquids					
— Before royalty	**2 852**	3 009	2 534	3 160	2 923
— After royalty	**1 894**	1 977	1 653	2 107	1 984
Natural gas sales (thousand cubic metres per day)					
— Before royalty	**10 862**	11 512	10 526	10 774	11 524
— After royalty	**6 915**	7 547	6 909	7 340	7 974
Sulphur production (tonnes per day)					
— Before royalty	**1 705**	1 843	1 420	1 493	1 572
— After royalty	**1 419**	1 534	1 184	1 244	1 310
Net proved reserves — at December 31					
Crude oil (thousand cubic metres)	**30 011**	30 505	33 393	33 064	36 040
Natural gas liquids (thousand cubic metres)	**6 590**	7 073	7 311	7 216	7 077
Natural gas (million cubic metres)	**59 333**	59 043	54 166	50 036	45 157
Sulphur (thousand tonnes)	**6 037**	6 484	5 722	6 099	5 827
Product purchases (thousand cubic metres)					
Crude oil	**364**	1 194	1 018	1 313	426
Natural gas liquids and liquefied petroleum gas	**2 673**	2 858	2 824	3 352	2 555
Drilling activity					
Net wells completed					
Exploratory					
Wildcat					
Oil	**5.6**	4.1	7.8	4.0	1.0
Gas	**47.1**	55.8	38.6	15.6	31.3
Dry	**39.0**	25.1	24.2	40.5	42.6
TOTAL	**91.7**	85.0	70.6	60.1	74.9
Extension*					
Oil	**24.0**	13.4	13.0	4.8	2.6
Gas	**31.8**	20.6	38.7	14.8	42.6
Dry	**13.5**	14.7	8.0	7.2	10.1
TOTAL	**69.3**	48.7	59.7	26.8	55.3
Development					
Oil	**36.5**	5.6	7.6	2.2	1.2
Gas	**23.8**	6.1	8.9	2.6	7.4
Dry	**3.7**	—	—	1.8	1.5
TOTAL	**64.0**	11.7	16.5	6.6	10.1
Net wells owned — at December 31					
Oil	**851**	812	791	772	761
Gas	**697**	583	520	440	408
TOTAL	**1 548**	1 395	1 311	1 212	1 169
Land holdings (thousand net hectares) — at December 31					
Proved properties	**454**	388	319	303	390
Unproved properties	**5 179**	5 371	5 456	12 991	14 427
TOTAL	**5 633**	5 759	5 775	13 294	14 817

**Extension wells are wells drilled outside the proven area of a known reservoir but close enough to be an extension of the producing area.*

Board of Directors

Amoco Canada Petroleum Company Ltd.
December 31, 1980

Directors

George H. Galloway
Chairman of the Board and Chairman of the Executive Committee

Fraser H. Allen
President and Member of the Executive Committee

Neil J. Stewart
Vice President, Marketing and Corporate Affairs and Member of the Executive Committee

Frederick S. Addy
Director

Robert H. Frick
Director

Bruce R. Libin
Barrister and Solicitor,
Bennett Jones
Director

R. Donald Fullerton
Vice Chairman and President,
Canadian Imperial Bank of Commerce
Director

Additional Senior Officers

David Q. Martin
Vice President, Exploration

J. Lindsay Milne
Vice President, Production

J. Steven McMullen
Vice President, Finance and Administration

Ray W. Ballmer
Vice President, Mining

Lloyd M. Clark
General Counsel and Secretary

Graham G. Baugh
Assistant Secretary

George L. Kirk
Controller and Treasurer

Principal Executive Offices

Amoco Canada Building
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y2

Registrar and Transfer Agent

National Trust Company, Limited
150 Toronto Dominion Square
Calgary, Alberta T2P 3B2

Change of Senior Officers

On August 1, 1980, Mr. J. Steven McMullen was appointed Vice President, Finance and Administration. Mr. Neil J. Stewart was named to the new position of Vice President, Marketing and Corporate Affairs.

On December 13, 1980, Mr. J. Lindsay Milne was elected Vice President, Production, following the untimely death of Mr. Antony Neidermayer on September 3, 1980, at the age of 46.

Amoco Canada Petroleum Company Ltd.
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